



Rewarding Learning

**General Certificate of Secondary Education
2014**

Applied Business

[G9372]

MONDAY 2 JUNE, MORNING

**MARK
SCHEME**

Quality of candidate's responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Unanticipated responses

The mark schemes which accompany the specimen examination papers are not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers in operational examinations, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners would seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Marking calculations

In marking answers involving calculations, examiners should apply the "own figure rule" so that candidates are not penalised more than once for a computational error.

Levels of Response Marking Grid

	AO1 [3]	AO2 [3]	AO3 [3]
Mark Band 1	1. Candidates demonstrate a basic knowledge and understanding. They give a basic description. There will be little organisation.	1. Candidates are able to apply limited knowledge and understanding. They give simple explanations. There will be few vocational links.	1. Candidates' responses suggest simple, broadly relevant ideas. They reach straightforward conclusions. Responses may not be clearly presented.
Mark Band 2	2. Candidates demonstrate a sound knowledge and understanding. They give a sound description. Answers will be organised.	2. Candidates apply knowledge and understanding to a range of situations. They give sound explanations, with some detail. There will be some vocational links and occasional detail.	2. Candidates comment in depth suggesting relevant ideas for development. They reach reasoned conclusions. Responses will usually be clearly presented. They will use a good range of specialist terms where appropriate.
Mark Band 3	3. Candidates demonstrate a detailed knowledge and understanding. They give a detailed description. Answers will be well organised.	3. Candidates apply relevant knowledge and understanding. They give full, detailed explanations, vocational links and the inter-relationship between factors.	3. Candidates comment fully, suggesting detailed relevant ideas. They reach reasoned conclusions. Responses will consistently be clearly presented in a logical form. They will use a wide range of specialist terms where appropriate.

- 1 (a) Entrepreneur
(1 × [1]) AO1 [1]
- (b) An entrepreneur is someone who is prepared to take a risk with a business idea to set up and trade using a business name [1].
- or**
- a person who has a business idea and is willing to take a risk in order to make it work [1].
(1 × [1]) AO1 [1]
- (c) A business owner must consider:
- Where to locate [1].
 - Costs [1].
 - Business plan [1].
 - What product/service to provide [1].
 - Finance required [1].
 - Number of employees required [1].
 - The selling price of the product/service [1].
 - Size of the market [1].
 - Research to be carried out [1].
 - Competition [1].
 - Availability of land [1].
 - Government laws and legislation [1] or Government influences [1].
 - Type of production to use [1].
- Any reasonable alternative responses
(3 × [1]) AO1 [3]
- (d) The characteristics of an entrepreneur:
- contributes original ideas [1] which give Go-Go-Gym a competitive advantage over their competitors [1].
 - has the self confidence and a passion for Go-Go-Gym [1] so that it will continue to serve the areas in which it has been established [1].
 - has the ability to work independently [1] and develop his ideas to satisfy his clients within Go-Go-Gym's new branch in Enniskillen, Co Fermanagh [1] and his existing clients in the other five counties [1].
 - commitment and willingness to making personal sacrifices for the benefit of Go-Go-Gym [1] so it will meet its aims and satisfy its clients [1].
 - needs to be a creative thinker [1], innovative [1] and show initiative [1] for Go-Go-Gym to move forward and retain its current client base as well as recruit new clients [1].
 - needs to have a vision [1] of where he wants Go-Go-Gym to be by July 2020 [1] and work single-mindedly to achieve that goal [1].
 - requires energy to work hard [1] so that Go-Go-Gym will achieve its full potential [1] and survive in the economic climate [1].
 - must be willing to take calculated risks [1] to encourage financiers to provide funds for the new location in Enniskillen, Co Fermanagh [1].
 - must have good leadership qualities [1] and lead by example when dealing with employees [1] so that Go-Go-Gym will continue to meet the needs of its province wide clients [1].
 - should be able to motivate others [1] with his team work ethic and

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MARKS

enthusiasm [1] so that all employees of Go-Go-Gym will follow the mission statement and aims set out by Marcus Montgomery [1], therefore showing consistency with employees and clients [1].

- should not be discouraged by failure or setbacks [1] but understand that some business ideas may not succeed which may be due to pricing of the service that Go-Go-Gym would offer to new clients in the Enniskillen branch or others that Marcus has planned to set up by July 2020 [1].

[0]

The candidate's answer is not worthy of credit.

([1]–[2])

The candidate has demonstrated a **limited ability** to discuss the characteristics and explain why they would be required by Marcus Montgomery to make his business a success.

The candidate demonstrates a limited level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear some of the time. The candidate demonstrates a limited level of writing, form and style appropriate to the purpose of the question. The organisation of the work is limited.

([3]–[4])

The candidate has demonstrated a **good ability** to discuss the characteristics and explain why they would be required by Marcus Montgomery to make his business a success.

The candidate demonstrates a good level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a good level of writing, form and style appropriate to the purpose of the question. The organisation of the work is good.

([5]–[6])

The candidate has demonstrated an **excellent ability** to discuss the characteristics and explain why they would be required by Marcus Montgomery to make his business a success.

The candidate demonstrates an excellent level of accuracy in spelling, punctuation and grammar. The meaning of the text is always clear. The candidate demonstrates an excellent level of writing, form and style appropriate to the purpose of the question. The organisation of the work is excellent.

AO1 [3], AO3 [3]

[6]

(e) The factors of production are:

- Land [1] or premises [1] where the new Go-Go-Gym branch can operate from in Enniskillen, Co Fermanagh allowing its clients to know where to go and where the business is operating from [1].
- Labour [1] are the employees that are required by Go-Go-Gym to get the new branch up and running for the new clients to attend [1]. This will include the manager/owner, personal trainers and receptionist.
- Capital [1] is the finance needed by Marcus Montgomery to take care of

			AVAILABLE MARKS
	<p>the operating costs of Go-Go-Gym for the new branch in Enniskillen, Co Fermanagh [1].</p> <ul style="list-style-type: none"> Enterprise [1] or Entrepreneur [1] which is Marcus Montgomery who had the original business idea and turn his hobby into a reality, providing himself and others with a job [1]. It is also Marcus' responsibility to co-ordinate the other factors of production making his dream a reality through establishing Go-Go-Gym [1]. 	[8]	19
2	<p>(a) Sole trader (1 × [1]) AO1</p>	[1]	
	<p>(b) Advantages of a sole trader are:</p> <ul style="list-style-type: none"> The owner can keep all the profits [1] The owner can make all the decisions [1] As the business is usually small, the owner can have a more personal relationship with their customers and employees [1] The business is easy and cheap to form [1] The financial affairs of the business are kept private [1] <p>Any reasonable alternative responses (1 × [1]) AO1</p>	[1]	
	<p>(c) Disadvantages of a sole trader are:</p> <ul style="list-style-type: none"> Unlimited liability [1] The owner must raise all the capital [1] Due to the business being small, banks are unlikely to lend large sums of money [1] The business is dependant on one person [1] Difficult to get time off [1] The owner must work long hours [1] The owner has responsibility for all aspects of the business [1] The owner does not have anyone to discuss problems with [1] <p>Any reasonable alternative responses (1 × [1]) AO1</p>	[1]	
	<p>(d) Partnership (1 × [1]) AO2</p>	[1]	
	<p>(e) Advantages of a partnership between Marcus Montgomery and Simon McDonald could be:</p> <ul style="list-style-type: none"> Specialising in different areas of the business, depending on their skills or experience [1] There would be more capital introduced into the business [1] Marcus and Simon would be able to share the decision making and responsibility of running Go-Go-Gym [1] If either Marcus or Simon were on holiday or fallen ill Go-Go-Gym would be able to continue operating [1] The financial affairs of the business are kept private [1] <p>Any reasonable alternative responses (1 × [1]) AO2</p>	[1]	

- (f)** Disadvantages of a partnership between Marcus Montgomery and Simon McDonald could be:
- They stand to lose everything that they have, including personal possessions in order to pay the debts of the business should it fail – unlimited liability [1]
 - If either Marcus or Simon were to be dishonest or inefficient, all partners are held liable for any actions or decisions taken [1]
 - Conflict between Marcus and Simon [1], any disagreements between Marcus and Simon [1]
 - Marcus and Simon must raise their own capital [1]
 - Marcus and Simon will find it difficult to borrow money from a bank, due to the size of the business [1]
 - If Marcus or Simon were to die or be declared bankrupt, then the business would have to cease operating [1]. Lack of continuity [1]
- Any reasonable alternative responses
(1 × [1]) AO2 [1]
- (g)** Deed of Partnership [1]
- or**
- Partnership Agreement [1]
(1 × [1]) AO2 [1]
- (h)** Issues that would need to be addressed are:
- How the profits and losses are to be shared [1]
 - The amount of capital which each partner will contribute [1]
 - Whether interest on capital is to be paid [1]
 - How the duties and responsibilities are to be shared [1]
 - How new partners are to be introduced to the business [1]
 - If salaries are to be paid and the amount to be paid [1]
 - How the partnership could be dissolved and, in the event of this happening, how would the assets be shared [1]
- Any reasonable alternative responses
(3 × [1]) AO2 [3]
- (i)** Partnership Act 1890 [1]
(1 × [1]) AO2 [1]
- (j)** Private Sector [1]
(1 × [1]) AO1 [1]
- (k)** The aims that could be focused on for the future are:
- Survival [1]. This is to ensure that Go-Go-Gym continue their work to satisfy their clients so that the business will continue and that they meet their July 2020 target [1]. The economic condition of the country must also be taken into consideration and what Go-Go-Gym is doing to safeguard their business as well as maintaining their clients. [1]
 - Profit maximisation [1]. Go-Go-Gym must be able to maintain their profit level, if not, better it so that they are meeting the needs of their clients [1]. The business may have to think of new and innovative ideas to keep the clients interested in coming back to the gym [1].
 - Growth [1]. Go-Go-Gym will want to open new branches, like the one in Enniskillen, Co Fermanagh so that it will meet its July 2020 target of 12 branches province wide [1]. This is also showing the public that

Go-Go-Gym is a serious business and wants to meet the needs of the communities that it is currently serving [1].

- Satisfying customers [1]. If Go-Go-Gym are to meet the needs of their clients they will have to make sure that they are designing personal, health and fitness plans that are like no other competitor [1].
- Reducing running costs [1]. Go-Go-Gym must ensure that they are doing the best for their clients and that will involve keeping the running cost of the business as low as they possibly can [1]. This must be carried out in a way that the best possible supplier of equipment, laundry services, water, personal health and hygiene products as well as gas, electricity and telephone/internet/Sky television costs are obtained so that monthly membership fees are not increased [1].
- Corporate Image [1]. This will be very important for Go-Go-Gym to be seen by the communities that it operates in are supporting the local community [1]. It may sponsor a local fitness event or run a competition within the various Go-Go-Gym branches [1].

Any reasonable alternative responses

[0]

The candidate's answer is not worthy of credit.

([1]–[3])

The candidate has demonstrated a **limited ability** to discuss business aims and explain why they would be required by Marcus Montgomery to ensure his business will continue and meet its July 2020 target.

The candidate demonstrates a limited level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear some of the time. The candidate demonstrates a limited level of writing, form and style appropriate to the purpose of the question. The organisation of the work is limited.

([4]–[6])

The candidate has demonstrated a **good ability** to discuss business aims and explain why they would be required by Marcus Montgomery to ensure his business will continue and meet its July 2020 target.

The candidate demonstrates a good level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a good level of writing, form and style appropriate to the purpose of the question. The organisation of the work is good.

([7]–[8])

The candidate has demonstrated an **excellent ability** to discuss business aims and explain why they would be required by Marcus Montgomery to ensure his business will continue and meet its July 2020 target.

The candidate demonstrates an excellent level of accuracy in spelling, punctuation and grammar. The meaning of the text is always clear. The candidate demonstrates an excellent level of writing, form and style appropriate to the purpose of the question. The organisation of the work is excellent.

AO3

[8]

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- 3 (a)** A stakeholder is someone/a person or group of people who have an interest in a business activity.
(1 × [1]) AO1 [1]
- (b)** Stakeholders in Go-Go-Gym could include:
- Clients/customers [1]. The clients of Go-Go-Gym will want to know that the business is continuing to meet their needs for personal health and fitness [1] as well as knowing that they will have a gym to attend [1].
 - Marcus Montgomery [1] Owner [1]. As he has invested money in the business and will want to see it succeed [1] as well as meeting his 2020 target of having a total of 12 gyms in Northern Ireland [1].
 - Simon McDonald [1] or Managers/Assistant Managers [1]. So that he/they will be able to make day-to-day decisions regarding the running of the gym in which they work [1].
 - Banks [1]. They are concerned with any loans or additional finance that Go-Go-Gym has borrowed [1] as they will want to see that all money is repaid with interest [1].
 - Suppliers [1]. Are concerned with the future ordering of equipment/machinery or other products/services that will be required by the various branches of Go-Go-Gym [1]. The suppliers will not want to lose any of their customers but will want to make sure that they are able to pay their accounts [1].
 - Employees [1] or Personal Trainers [1]. Will be concerned with job security [1] and knowing that they will have a job which will provide them with a wage/salary [1] so that they can support all their financial and family commitments [1].
 - Competitor/s [1]. Other privately owned gyms as well as any local leisure centre will be interested in the monthly membership fees as well as the services offered by Go-Go-Gym [1] so they are not losing clients from their gym [1].
 - Government [1]. The government will be interested in the business activity of Go-Go-Gym because the more profit it makes the more taxes it needs to pay [1] and the collection of income tax and national insurance from employees' wages/salaries [1]. On the other hand if the business fails the employees lose their jobs and the government will be required to support these employees with unemployment benefits, therefore increasing their expenditure [1] as well as not receiving any tax on profits [1]. In areas of high unemployment, the government may assist local businesses [1] by providing financial assistance to create jobs and provide subsidised premises [1]. It also makes the laws that Go-Go-Gym must follow while they are operating as a going concern [1].
- Any reasonable alternative responses
(4 × [2]) AO2 [8]
- (c)** The following are stakeholders who may be in conflict:
- Owner and Manager [1]
or Marcus Montgomery and Simon McDonald [1]
these stakeholders could be in conflict due to the day-to-day running of Go-Go-Gym [1] as the manager may have made a decision without consulting the owner and he may not be happy with that [1]. This would make their working relationship difficult as they are disagreeing in front of clients [1].

- Owner and Employees [1]
The owner may be in conflict with the employees as they are not carrying out all the tasks that have been outlined in their job description [1]. This would mean that the clients are unhappy with the service that is being provided by Go-Go-Gym [1] and therefore losing clients, allowing the business to fall behind its competitors [1].
The employees may be in conflict with the owner as he is not paying them correctly [1] or has asked them to do something that is not within their job description [1]. This can leave a horrible feeling between the employee and the owner, resulting in the duties of the job not being carried out [1].
- Suppliers and Owner [1]
The owner may be in conflict with the supplier as they have not delivered the goods/equipment on time [1], therefore disappointing the client who has been waiting for this new or additional piece of equipment [1]. The supplier may have let the owner down by not delivering the goods within the time specified [1].
The suppliers may be in conflict with the owner as they have not paid their invoice for the delivery that had been received before the trade credit period began [1]. The supplier may require that money to pay his debts or expenses for his business [1].
- Customers/Clients and Owner or Employee [1]
The customers/clients may have a difference of opinion due to the way Go-Go-Gym has been organised [1], not being informed of any new changes or an increase in membership fees [1]. If the customers/clients are unhappy they will not support Go-Go-Gym [1].
- Government and Owner [1]
The owner must follow the required legislation that has been set out by the government [1]. If this is not followed correctly then the owner can be taken to court [1], fined or put in prison [1].
- Competitor/s and Owner [1]
The competitor/s will be in conflict with the owner if they are attracting their customers/clients [1] by advertising special offers to lure them away and become a member of Go-Go-Gym [1]. This may result in the business closing as they are not able to compete in the current market [1]. This would also be the same if the owner were to do the same on its competitors [1].
- Bank and Owner [1]
The bank would not be pleased if Go-Go-Gym or Marcus Montgomery was unable to repay the loan [1] as the bank would have to seek legal assistance [1] in order to repossess the asset/s purchased by the business [1]. This would result in the owner having to close Go-Go-Gym [1].

Any reasonable alternative responses

(1 × [1]) AO2, (3 × [1]) AO3

[4]

(d) Tertiary [1]

This type of production is found by customers to be providing services for the community or the population of a town or city [1]. Go-Go-Gym will be offering the population of various parts/counties of Northern Ireland the opportunity to be a member of their gym and be supported in a personal, health and fitness industry [1].

(1 × [1]) AO1, (1 × [2]) AO2

[3]

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4 (a) Internal growth [1] or Organic growth [1]
(1 × [1]) AO1

[1]

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- (b) The implications of growth for the future of Go-Go-Gym could include:
- Growth could be slow [1]. This would mean that Marcus Montgomery may not see or have any personal gain from the business for many years [1] as he has had to put the profits back into the business, year after year [1].
 - Continuously looking for new markets or new services to provide to existing/new clients [1]. By doing this Go-Go-Gym would be able to gain a competitive advantage over its competitors [1] in order to succeed within the personal, health and fitness industry [1].
 - An increase in profits [1]. As Go-Go-Gym grows all over Northern Ireland and wishes to meet its 2020 target it will do so by making a better profit from year to year so that success will be guaranteed [1]. This will be carried out by increasing the number of clients in each branch [1] as well as the range of services offered to its clients [1].
 - An increase in client or public awareness [1]. Due to the growth of Go-Go-Gym branches it would have many more clients from all over Northern Ireland [1]. This would increase the public awareness of the gym as the public would be able to recognise its logo, name and purpose as well as being all over the country [1].
 - Economies of scale [1]. When Go-Go-Gym would grow it would become much larger and therefore would be purchasing equipment for a number of branches [1]. By doing so Marcus Montgomery would be able to reduce the individual purchasing price of the items required [1].
 - Poor communication [1] if Go-Go-Gym grew too quickly. Accelerated growth would be difficult to deal with as the decisions would not be filtering down through the correct channels or lines of authority [1]. This would mean that the employees would not be carrying out their duties correctly or following the policies of Go-Go-Gym [1].
 - A reduction in staff motivation [1] as they no longer know who the owner of Go-Go-Gym is. This would create a poor working environment for the staff [1] as they would not be given the correct direction that is required by Marcus Montgomery for Go-Go-Gym to grow [1].
 - Difficult to co-ordinate all the branches of Go-Go-Gym [1]. This would mean that one of the branches may be doing something that they are not supposed to be doing [1] and have not been granted permission from Marcus Montgomery, the owner [1]. As a result the clients may not be happy and therefore decide to terminate their membership [1] which would mean that this branch would have to close down [1].

[0]

The candidate's answer is not worthy of credit.

([1]–[3])

The candidate has demonstrated a **limited ability** to analyse the implications of growth for the future of Go-Go-Gym.

The candidate demonstrates a limited level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear some of the time. The candidate demonstrates a limited level of writing, form and style appropriate to the purpose of the question. The organisation of the work is limited.

([4]–[6])

The candidate has demonstrated a **good ability** to analyse the implications of growth for the future of Go-Go-Gym.

The candidate demonstrates a good level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a good level of writing, form and style appropriate to the purpose of the question. The organisation of the work is good.

([7]–[8])

The candidate has demonstrated an **excellent ability** to analyse the implications of growth for the future of Go-Go-Gym.

The candidate demonstrates an excellent level of accuracy in spelling, punctuation and grammar. The meaning of the text is always clear. The candidate demonstrates an excellent level of writing, form and style appropriate to the purpose of the question. The organisation of the work is excellent.

[8]

(c) The benefits of international trade include:

- More employment [1]. An increase in the demand for health and personal fitness will mean that Go-Go-Gym will require additional staff to work in the new branch in the Republic of Ireland [1]. This will reduce the unemployment levels in the area in which Go-Go-Gym decide to locate [1].
- Greater variety [1]. This will create more choice for the clients in the new area [1] and it may lead to a better standard of service being offered if the competition is high [1].
- Increased market and profits [1]. Due to Go-Go-Gym entering a new market, it will be able to offer its service to a greater number of people, therefore increasing the annual profits due to a higher number of clients availing of their service/s [1].
- Economies of scale [1]. As Go-Go-Gym increases in size due to the number of branches it has as well as its membership, it will require purchasing items for all branches, therefore buying in bulk [1]. This will reduce the individual price paid per item [1] which will lead to an increase in profits [1].

The drawbacks of international trade include:

- Currency [1]. The Republic of Ireland use Euro [1] and therefore will have to price their service accordingly, taking into consideration the exchange rate [1].
- Competition [1]. Go-Go-Gym will need to be prepared for the increased competition that it will face when entering the Republic of Ireland as they will not be the only gym available [1]. It must make sure to advertise heavily so that the population of the area know that it is operating [1]. This must be better than what the competition are doing or have done [1].
- Documentation [1]. It is of paramount importance that Marcus Montgomery has planned ahead and investigated the procedures for trading in a different country [1] as there may be paperwork that needs to be drawn up before the new branch of Go-Go-Gym can open its

- doors to the public [1]. As the Republic of Ireland is within the European Union, these requirements may not be as difficult to deal with [1].
- Promotional activity [1]. The way in which Go-Go-Gym promote themselves will be very important and it needs to be sympathetic to the new target market by modifying its promotional material [1].
 - Cultural differences [1]. Go-Go-Gym may need to be respectful and take into consideration any values and traditions the Republic of Ireland have which are different from the United Kingdom [1].

Any reasonable alternative responses

(2 × [2]) AO3

[4]

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5 (a) Premises [1]

Rent [1]

Office equipment [1]

Gym equipment [1]

Fixtures and fittings [1]

Changing facilities [1]

Showering facilities [1]

Labour/Employees wages [1]

Small van/vehicle [1]

Any reasonable alternative responses

(3 × [1]) AO1

[3]

(b) Sources of finance that could be available to Marcus are:

- Owner's own savings [1]. Marcus Montgomery would use his own savings so that he would not have to repay any loans that he would have to obtain from a bank [1]. This would also save him from paying interest on a loan [1].
- Retained profits [1]. It would be in the interest of the business to plough its profit back into the business so that it will make additional money on the investment [1]. This is a cost effective way to invest money as the business will not be required to pay interest on any money borrowed [1].
- Sale of fixed assets [1]. Marcus Montgomery could sell off any unused equipment, fixtures and fittings, etc that Go-Go-Gym would have as they are no longer required by the business [1]. This would release finance for the business to put to better use [1].
- Bank loan [1]. The bank loan would be used to finance the business, for example any new assets that it requires to purchase for the benefit of its clients [1]. However, interest must be paid on the loan [1] and repayment must be made on the required date [1] or the assets will be repossessed [1].
- Bank overdraft [1]. This source of finance is used for a short period of time, usually less than one year [1]. The main reason for using an overdraft is to pay for the day-to-day running costs of the business [1]. Go-Go-Gym would only be required to pay interest on the amount of money that they have overdrawn [1].
- Change the structure of the business to a partnership [1]. Marcus Montgomery could ask Simon McDonald or another person or people to become a part owner of the business for a share of the profits [1].
- Hire purchase [1]. This would be used when purchasing assets that would remain in the business for three to five years [1]. Such items would be equipment, machinery and computers, etc [1]. The asset

- belongs to the business when it has paid its final instalment [1].
- Leasing [1]. Leasing is used to pay for the use of an asset within the business [1]. It would be used for vehicles or equipment [1]. The business would be able to return the asset at the end of the leasing contract with no obligation [1]. If there was a problem with the assets then Go-Go-Gym would contact the firm from which they leased their assets and they would send someone out to repair it [1].
 - Mortgage [1]. This would be used to finance any new premises that Go-Go-Gym felt the need to purchase for their new branch [1]. Go-Go-Gym would have to put down a deposit and then agree to repay the sum borrowed over an agreed time period as well as the cost of borrowing (interest) [1].
 - Government assistance [1]. This would be used by Go-Go-Gym if they were involved in a government scheme, such as providing employment in an area of high unemployment [1]. The government can provide grants or loans to businesses, depending on their needs [1]. A government grant is given to the business to use for a specific purpose which does not have to be repaid and a government loan is given on the basis that it is fully repaid [1].
- (2 × [1]) AO1, (2 × [1]) AO2 [4]

(c) The reasons for Marcus developing a business plan are:

- To show to the bank [1]. A bank will want to see that Go-Go-Gym has thought about what it is doing [1] and there is clear evidence of planning for the future [1] as well as justification for requiring additional finance [1].
- To show to potential investors [1]. A potential investor will study the business plan to see if they are willing to invest money in the business and if it would provide a worth while return on their investment [1].
- To ensure proper planning for the business [1]. This will allow Marcus Montgomery and his managers to examine the idea carefully, ensuring that they have taken everything into consideration so that they are not discovering additional costs later [1]. It is also important that any potential investors are aware of this level of planning [1].
- To monitor actual performance against the plan [1]. Marcus Montgomery and his manager of the new branch can use this to examine the actual progress of the business against that of what has been predicted [1]. This will allow for the planning to be carried out as accurately as possible, proving that it was worth while [1]. To check where they had gone wrong and to make the preparations for the next development for the gym [1].
- To keep a check on spending [1]. This is important so that the figures can be checked with those from the projected set of final accounts and any discrepancies can be investigated [1].
- To ensure that the aims of the business are being met [1]. The business plan will also be used to monitor the running of the business and to see if the aims of the business are being adhered to [1].

Any reasonable alternative responses

(2 × [1]) AO1, (2 × [2]) AO2 [6]

(d) (i) The Break Even Point per month for Go-Go-Gym's new branch is:

$\frac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost}} = \frac{\text{£5,000}}{\text{£50} - \text{£25}} [1] = 200 [1]$	$[1] = 200 [1]$
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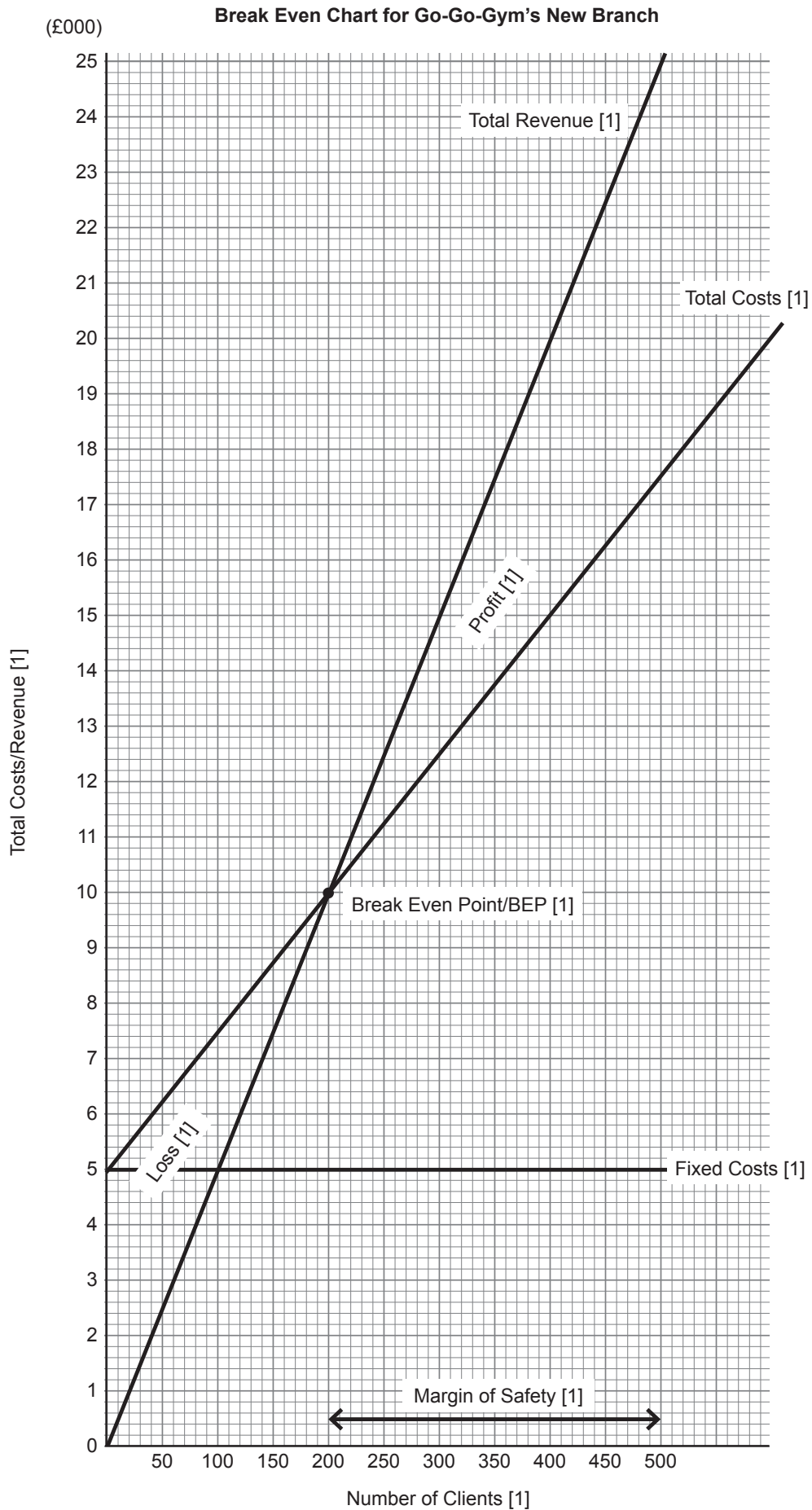
AO2 [3]

[3]

AVAILABLE
MARKS

(d) (ii) Break Even Chart for Go-Go-Gym's New Branch.

AVAILABLE MARKS



(9 x [1]) AO2

[9]

25

6 (a) Advertising [1]
(1 × [1]) AO1

[1]

AVAILABLE
MARKS

(b) Advertising is a very important part of promotion and needs to be carefully planned by Go-Go-Gym [1] so that they are aiming at the correct target market [1]. To do this correctly and effectively, Go-Go-Gym will need to invest a large sum of money [1], making the target market aware of its new branch in Enniskillen, Co Fermanagh [1]. Go-Go-Gym will do this for the following reasons:

- To introduce a new service to the public and encourage sales [1].
- To provide information about their service and any events that they are planning for the future [1].
- To target a new segment of the market so that they can increase their market share [1].
- To remind the public about their existing service/s and to increase its sales/membership of the gym [1].

Possible ways that Go-Go-Gym could advertise their new gym in Enniskillen, Co Fermanagh are:

- Posters [1]. These can be displayed in the windows of shops and other businesses, as well as in Post Offices, Doctor's surgeries and Community Centres [1], anywhere that potential clients will see them and decide whether or not to join [1]. Posters can be displayed in many public places for everyone to see [1]. Posters are relatively inexpensive [1]. There may be a number of people who do not pay any attention to or notice posters [1].
- Radio [1]. A lot of people listen to the radio, especially the local radio station in a large town, such as Enniskillen [1], therefore targeting the entire population of Enniskillen and its surrounding areas [1]. Radio can offer Go-Go-Gym many opportunities, for example, sponsorship for a particular area (weather, competition, or a particular programme, etc), interview and commercial advertisements [1]. This type of advertising can be expensive [1] but worthwhile as it focuses on a particular area [1], however, a radio interview would be free advertising for Go-Go-Gym [1].
- Internet [1]. Go-Go-Gym will have all the details on their website, informing potential and any existing clients (even worldwide) about their plans to open a branch in Enniskillen [1]. This may allow people who are moving due to work or family commitments, the opportunity to remain a loyal client [1]. The internet can also offer pop-up advertising for the opening of the Enniskillen branch [1]. This is a very popular way of advertising as many people today are connected to the internet for convenience [1]. A lot of information can be passed on to their clients via the internet [1]. However, if potential clients do not have the necessary equipment or connection (broadband) then it is impossible for them to access any of Go-Go-Gym's information [1].
- Newspapers [1]. Advertising in most newspapers today can be placed in colour for additional affect, getting the public to notice what is being advertised [1], therefore enhancing the possibility of increased sales [1]. The size of the advertisement will also have a role to play, if it is small then it will not be noticed compared to a large one [1]. This will also affect the cost of the advertisement, which can be expensive [1]. Local newspapers will reach a wide audience [1].

- Magazines [1]. These would be specialist magazines that are purchased by people who have an interest in the personal health and fitness industry [1]. It allows their readers to examine all the possibilities that are available to them before making a commitment to becoming a member [1]. These are usually very expensive to place an advertisement in [1].
- Bill Boards/Hoardings [1]. These are large advertising signs that can be placed in various parts of a town where the space is available, and people to notice them [1]. Large signs can also be placed above the door or window of the premises that Go-Go-Gym will be operating from [1], informing their clients that they are open for business [1].
- Vehicles [1]. This form of advertising is becoming more popular as many business owners are purchasing a small vehicle and placing their details on the sides of it [1]. They are also parking the vehicle in a public place so that many people will notice it [1]. This can also be carried out on the sides of public transport [1]. Such advertising is usually very bright/bold in colour so that it is very easily noticed [1].
- Mail shots [1]. These are the least expensive method of advertising [1] as they can be delivered by the Post Office, left in shops/libraries and other public places for people to take [1]. They can also be placed on the windscreen of a car or delivered by hand to numerous homes in the Enniskillen area [1]. Many people do not read the 'junk mail' that they receive through their letter boxes [1].
- Television [1]. This type of advertising will reach a huge number of people [1] and is extremely expensive [1]. It depends on the size of the business and whether or not it can justify or indeed afford such an extravagant expense [1].

Any reasonable alternative responses

AO3

[0]

The candidate's answer is not worthy of credit.

([1]–[2])

The candidate has demonstrated a **limited ability** to analyse the identified method of promotion for Go-Go-Gym.

The candidate demonstrates a limited level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear some of the time. The candidate demonstrates a limited level of writing, form and style appropriate to the purpose of the question. The organisation of the work is limited.

([3]–[4])

The candidate has demonstrated a **good ability** to analyse the identified method of promotion for Go-Go-Gym.

The candidate demonstrates a good level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a good level of writing, form and style appropriate to the purpose of the question. The organisation of the work is good.

([5]–[6])

The candidate has demonstrated an **excellent ability** to analyse the identified method of promotion for Go-Go-Gym.

The candidate demonstrates an excellent level of accuracy in spelling, punctuation and grammar. The meaning of the text is always clear. The candidate demonstrates an excellent level of writing, form and style appropriate to the purpose of the question. The organisation of the work is excellent.

AO3

[6]

Total

**AVAILABLE
MARKS**

7

100

